

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, MAY 4, 2010**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, May 4, 2010, commencing at 7:00 a.m.

Present: Council Member Hansen, Council Member Johnson, Mayor Pro Tempore Hitchcock, and Mayor Katzakian

Absent: Council Member Mounce

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 Third Quarter Fiscal Year 2009/10 Water, Wastewater, and Electric Utility Department Financial Reports (CM)

City Manager King provided a brief introduction to the subject matter of the Third Quarter Fiscal Year 2009/10 Water, Wastewater, and Electric Utility Department financial reports.

Deputy Public Works Director Charlie Swimley and Public Works Director Wally Sandelin provided a PowerPoint presentation regarding the water/wastewater utility. Specific topics of discussion included wastewater operating results, wastewater cash flow summary for operations, wastewater cash balances, water operating results, water cash flow summary for operations, water cash balances, water/wastewater utility accomplishments, meter program update, meter program phasing, and the meter program expansion.

In response to Mayor Pro Tempore Hitchcock, Mr. Swimley stated the supplies are considerably less because the department budgeted for anticipated needs, not all contracts for services have been expensed, and there is an overall effort to be careful with expenditures.

In response to Council Member Hansen, Mr. Sandelin stated the Lodi Avenue construction is scheduled to start in two weeks and notices are being mailed now.

In response to Council Member Johnson, Mr. Sandelin confirmed that staff will be inspecting all residential and commercial sites for water meters.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated public outreach on the water meter program is happening through presentations to service clubs and community groups, quarterly newsletters, and telephone inquiries.

Council Member Johnson and Mayor Pro Tempore Hitchcock requested a copy of the map provided in the PowerPoint presentation.

In response to Council Member Hansen, Mr. Sandelin stated for apartment complexes, one meter will be installed, the bill will go to the property owner, and the property owner will charge the tenants proportionately and most likely adjust the rent accordingly. In response to Council Member Hansen, City Attorney Schwabauer stated there is a limit on what a property owner can charge tenants for electric service, but he is not sure about water service. Mr. Schwabauer stated he will research the legal limit for water service and provide that information to Council.

In response to Council Member Johnson, Mr. Sandelin and Mr. Swimley stated there are approximately 1,500 commercial meters in town and they will all be inventoried to determine which parcels do not have meters currently.

In response to Council Member Hansen, Mr. Swimley stated staff is speculating that about one half of the businesses do not have water meters.

In response to Mayor Pro Tempore Hitchcock, Mr. Swimley stated the larger businesses are metered and it is the smaller retail businesses that may not have the meters.

In response to Mayor Katzakian, Mr. Sandelin stated condominiums that are already submetered with the appropriate equipment will have their own meters while others will receive one that is proportionately disbursed through the homeowners' associations.

In response to Council Member Johnson, Mr. Swimley stated the City is meeting regulatory goals with respect to discharges due to investments in the wastewater treatment plant and good teamwork and leadership at the plant. He stated when there is a discharge it is generally mechanical due to the complexity of the equipment and cholorform related.

In response to Council Member Hansen, Mr. Sandelin stated water infrastructure, specifically the replacement of mains smaller than six inches in backyards, will be complete in 2015.

In response to Council Member Hansen, Mr. Sandelin confirmed that the infrastructure replacement in the City of Lodi is somewhat unique.

Interim Electric Utility Director Ken Weisel provided a PowerPoint presentation regarding the fiscal year 2009/10 quarterly update for the Electric Utility Department. Specific topics of discussion included an overview, quarterly financial results, non-power operating expenditures, non-power expenditures, power supply, power sales, sales comparison, billing statistics, Energy Cost Adjustment (ECA) revenue, Northern California Power Agency (NCPA) general operating reserve (GOR), open position, Lodi Energy Center (LEC) statistics, ownership, cost summary, cost/kWh summary, participants, approval schedule, actions for May 5 Council meeting, California Environmental Quality Act (CEQA) compliance, power sales agreement, project management and operations agreement, September Memorandum of Understanding, and conclusion.

In response to Council Member Hansen, Mr. Weisel stated the reimbursement payment for LEC is anticipated to come in during the last week of the current fiscal year.

In response to Council Member Hansen, Mr. Weisel stated it is expected that the new meter reading system will be in place by 2011. Mr. Weisel reviewed the transmitter process and specifically discussed the repeaters transmitting by radio to collectors at a main data reading location.

In response to Council Member Hansen, Mr. Weisel stated the new technology is tried and tested and reliable.

In response to Council Member Johnson, Mr. Weisel stated the primary difference with the PG&E technology is that PG&E is installing two-way meters that are reading accurately and their older meters were misreading.

In response to Council Member Johnson, Mr. Weisel stated staff is receiving a few scattered questions in cases where old meters were not reading accurately.

In response to Council Member Hansen, Mr. Sandelin stated a water meter is also on a fixed network and the utility replaces the battery.

In response to Mayor Pro Tempore Hitchcock, Mr. Weisel stated the meters can be picked up by a fixed network or some other system and in the City's case the step up to the network system from the current system was rather small.

In response to Mayor Pro Tempore Hitchcock, Mr. Weisel stated it is anticipated that the City will have 9 collectors and 18 repeaters throughout town.

In response to Council Member Hansen, Mr. Weisel stated most of the collectors and repeaters will be located in street lights and similar to PG&E, which uses the technology for gas in the City.

In response to Council Member Johnson, Mr. Weisel stated the slight increase in the GOR is tied in to NCPA and the California Independent System Operator.

In response to Council Member Johnson, Mr. Weisel stated the increase will not happen with regularity and is in place to address a one-time situation.

In response to Council Member Hansen, Mr. Weisel stated the increase for the ECA is one cent for the May bill and two cents for the June bill, as these two months are historically the lowest months.

In response to Mayor Pro Tempore Hitchcock, Mr. King stated the cost of the litigation for NCPA is covered by the GOR.

In response to Mayor Katzakian, Mr. Weisel stated the LEC power compared to other power supplies is more efficient and cost effective.

In response to Council Member Johnson, Mr. Weisel stated if the construction schedule was slipping then the City would go to the market to make open purchases and currently it will be doing so for the April and May months, which were left open.

In response to Mayor Pro Tempore Hitchcock, Mr. Weisel stated close to half of the project is non-members and the largest portion is the State Department of Water Resources (DWR).

In response to Mayor Pro Tempore Hitchcock, Mr. Weisel and Mr. Schwabauer stated NCPA has a majority vote on the project, there is a right of first refusal for participants, and NCPA could sell to a non-member regardless after the right of first refusal is exercised.

In response to Council Member Johnson, Mr. Weisel stated Modesto is doing its own financing because it is financing another project simultaneously and has a better credit rating than NCPA.

In response to Council Member Hansen, Mr. Weisel stated the base load is 30 mega watts.

In response to Council Member Johnson, Mr. Weisel stated a smaller member could drop out right now at the approval level as the project is locked after the Power Sales Agreement is signed. He stated if a member does drop out, there may be another member that is willing to take on more or all members can incorporate their portions proportionately.

In response to Mayor Pro Tempore Hitchcock, Mr. Weisel stated DWR and Modesto have reached their limits and most other participants are NCPA members. He stated May 5, 2010, is the last day to enter into the Power Sales Agreement.

In response to Council Member Hansen, Mr. Weisel stated the ceremonial groundbreaking date is June 16, 2010.

In response to Council Member Hansen, Mr. Weisel stated NCPA will buy gas purchases up to 30 days in advance and if the City desires for NCPA to do more than that it will be necessary to enter into a separate agreement, which is likely. He stated the alternative is to participate with the Department of General Services.

In response to Mayor Katzakian, Mr. Weisel stated historically prices range from \$3 to \$10, stabilize in the \$6 to \$8 range, higher cost of gas means a higher cost of power, and the financial term for such a project is usually 30 years.

In response to Mayor Katzakian, Mr. Weisel stated the 7.2 cents does not include transmission and the advantage of the Lodi location is being worked on right now with NCPA. Mr. King stated there may be an assumption that if the City has its own line there will be no additional cost for transmission.

In response to Council Member Johnson, Mr. Weisel stated it is not clear right now whether running the line will get rid of all transmission costs to the City.

In response to Mr. King, Community Development Director Rad Bartlam stated the draft Environmental Impact Report will likely be available in 30 days.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:31 a.m.

ATTEST:

Randi Johl
City Clerk



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Third Quarter Fiscal Year 2009/10 Water, Wastewater and Electric Utility Department Financial Reports

MEETING DATE: May 4, 2010

PREPARED BY Deputy City Manager

RECOMMENDED ACTION: Receive utility financial reports for the third quarter of Fiscal Year 2009/10 ending March 31, 2010.

BACKGROUND INFORMATION: In accordance with the Lodi Municipal Code, quarterly financial reports are to be prepared for the Water, Wastewater, and Electric Utilities. Highlights of the operations and financial performance of each utility will be presented at the meeting of May 4, 2010.

FISCAL IMPACT: None directly related to the preparation of the report. However, the presentation is intended to keep the Council apprised of the financial conditions of the major municipal utilities.


Jordan Ayers
Deputy City Manager

APPROVED:


Blair King, City Manager



Public Works Department Water/Wastewater

FY 10 Quarterly Update (Through March 31, 2010)

City Council Shirtsleeve Session
May 4, 2010

Wastewater Operating Results

(Ending March 31, 2010)

	Budget	Actuals	% of Budget
Personnel	\$ 2,842,298	\$ 2,003,175	70%
Supplies, Materials, Services	2,704,038	939,661	35%
Equipment, Land, Structures	49,082	27,998	57%
Other Payments	172,357	155,065	90%
Communication & Transportation	925,550	654,317	71%
Work for Others	43,700	0	0%
Total Operating Expenses	\$ 6,737,025	\$ 3,780,216	56%

Wastewater Fund
Cash Flow Summary
Operations
(Ending March 31, 2010)

Revenue	
Sales	8,379,388
Other (interest, septic, misc.)	(74,476)
Total Revenues	8,304,912
Expenses	
Operating	3,780,216
Debt Service	2,096,260
Cost of Services Payment To General Fund	1,088,609
Total Expenses	6,965,085
Net Increase in Undesignated Reserves	1,339,827

Wastewater Funds
Cash Balances
(Ending March 31, 2010)

Operating (170)	3,357,128
Utility Capital / Infrastructure Replacement (171)	3,890,072
Capital Reserve (172) (Fund used to pay White Slough COP Debt Service)	(3,875,196)
Capital Reserve Restricted Assets (172) (White Slough COP Remaining Proceeds)	5,390,462
IMF (173)	2,128,047
Total	10,890,513

Water Operating Results

(Ending March 31, 2010)

	Budget	Actuals	% of Budget
Personnel	\$ 1,307,549	\$ 902,231	69%
Supplies, Materials, Services	737,011	299,541	41%
Equipment, Land, Structures	4,000	7,954	199%
Other Payments	1,464,250	967,384	66%
Communication & Transportation	917,040	555,548	61%
Work for Others	345,000	0	0%
Total Operating Expenses	\$ 4,774,850	\$ 2,732,658	57%

Water Fund
Cash Flow Summary
Operations
(Ending March 31, 2010)

Revenue	
Sales	4,896,706
Other (interest, septic, misc.)	56,301
Total Revenues	4,953,007
Expenses	
Operating	2,732,658
Debt Service	39,015
Cost of Services Payment To General Fund	795,092
Total Expenses	3,566,765
Net Increase in Undesignated Reserves	1,386,242

**Water Funds
Cash Balances**
(Ending March 31, 2010)

Operating (180)	3,744,896
Utility Capital / Infrastructure Replacement (181)	12,219,140
IMF (182)	(494,832)
PCE/TCE Settlements	14,397,303
PCE/TCE Rates (185)	2,984,853
Total	32,851,360



Water / Wastewater Utility Accomplishments

Operational

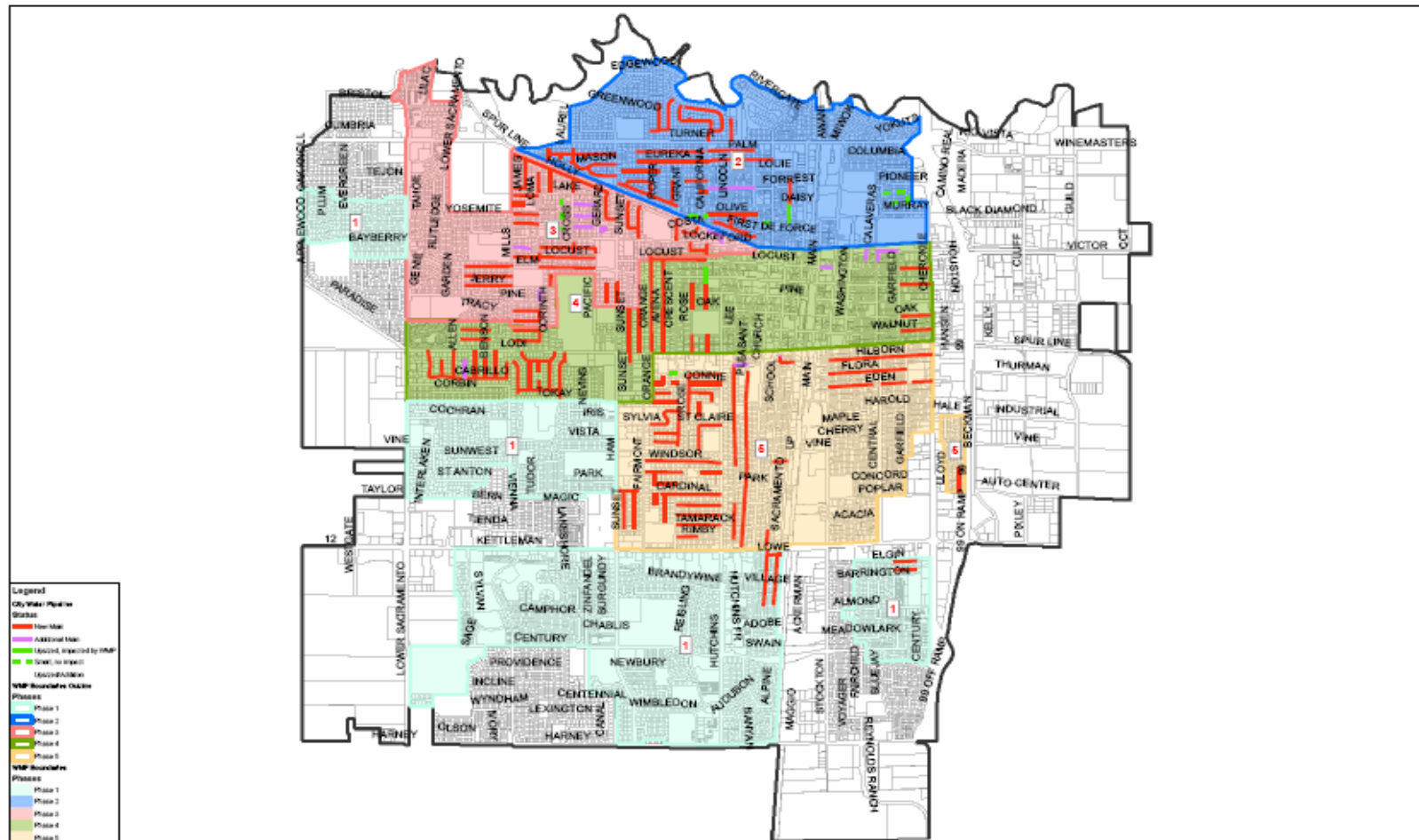
- Water Distribution
- Water Production
- Collection System
- Wastewater Treatment
- Regulatory
 - SSO's
 - Discharge Violations
 - Monitoring and Reporting



Meter Program Update

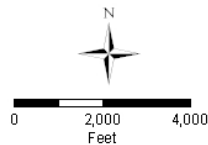
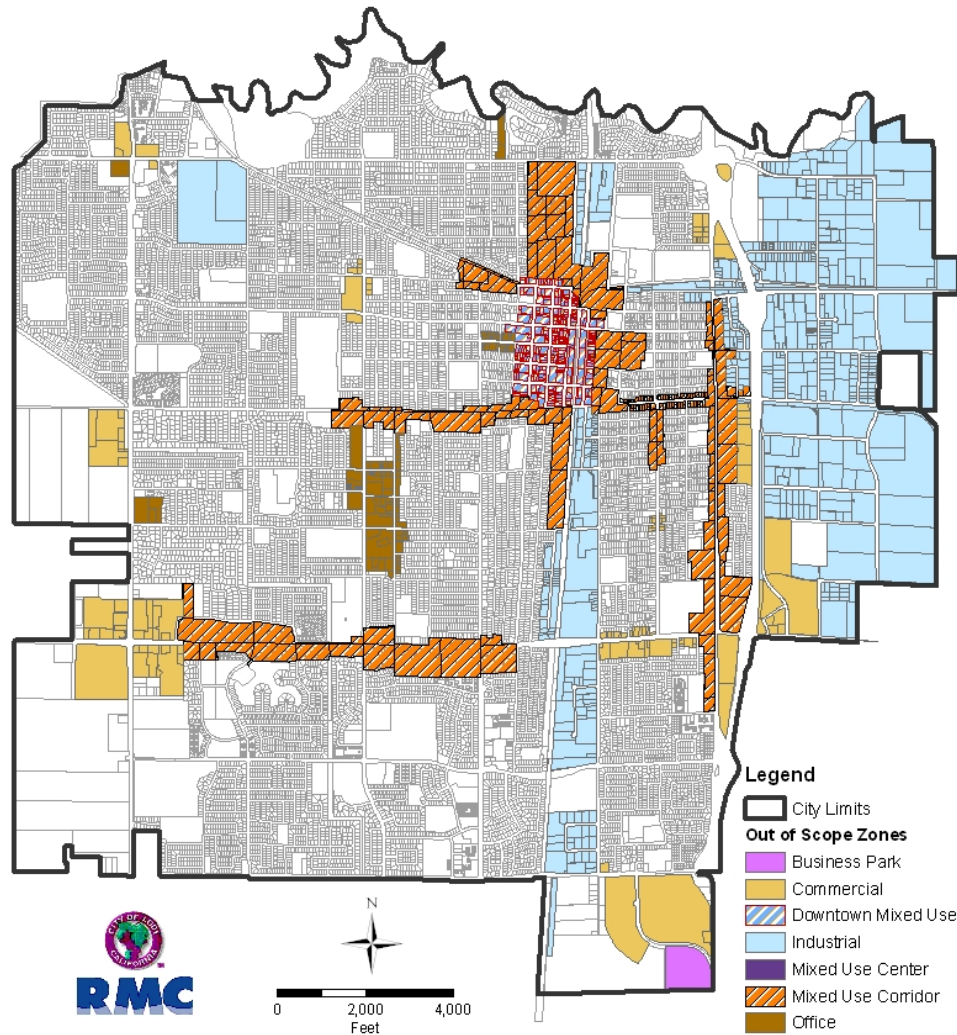
- Finance Plan Established
- Self Install Process In Place
- Public Outreach Quarterly
- Field Work Starts This Month

Meter Program Phasing





Meter Program Expansion





Electric Utility Department

FY10 Quarterly Update **(Through March 31, 2010)**

City Council Shirtsleeve Session
May 4, 2010



Overview

Through March 31, 2010

- Net power costs are 76.7% budget
- Non-power costs are 60.2% of budget, but will accelerate in Q4
- Revenues are 74.4% of budget
- NCPA cash reserve (GOR) down ~\$641K
- FY10 power supply is 95% hedged, balance of year



FY10 Financial Results

Through March 31, 2010

Revenue	FY10 Budget	Year to Date	% of Budget
Sales Revenues	\$72,570,671	\$54,022,188	74.4%
Other Revenues	\$579,000	\$365,496	63.1%
Total Revenues	\$73,149,671	\$54,387,685	74.4%
Expenses			
Purchased Power	\$43,969,873	\$33,725,017	76.7%
Non Power	\$13,792,750	\$8,305,258	60.2%
Total Expenses	\$57,762,623	\$42,030,275	72.8%
Net Revenue for Debt Service	\$15,387,048	\$12,357,410	80.3%
Debt Service	\$7,169,265	\$5,376,949	75.0%
Net Revenue	\$8,217,783	\$6,980,461	84.9%
In-lieu Transfer to General Fund	\$6,976,670	\$5,232,503	75.0%
Net Increase (Decrease)	\$1,241,113	\$1,747,958	140.8%
	Jun 30, 2009	Mar 31, 2010	
Local Cash Balance	\$12,003,103	\$12,625,608	
GOR	\$5,904,783	\$5,263,921	
Total Available Cash	\$ 17,907,886	\$ 17,889,529	



Non-Power Operating Expenditures

Through March 31, 2010

	FY10 Budget	Year to Date	% of Budget
Personnel	6,214,474	4,280,337	69%
Supplies, Materials, Services	2,070,264	1,292,770	62%
Equipment, Land, Structures	939,029	492,486	52%
Other Payments	1,143,849	512,756	45%
Communication & Transportation	68,750	48,464	70%
Total Operating Expenses	\$ 10,436,366	\$ 6,626,814	63.5%



Non-Power Expenditures

- Non-Power expenditures will accelerate in Q4
- Unspent budgeted funds are being applied to:
 - De Benedetti Park construction
 - Automated Meter Reading/Fixed Network
 - New Cable and Transformers
 - Underground Cable Rejuvenation
 - Zupo Field improvements



Power Supply

Through Mar 31, 2010

	Budgeted	Year to Date	% of Budget
Generation	\$ 37,488,996	\$ 29,646,295	79.1%
Transmission	\$ 7,039,763	\$ 4,080,841	58.0%
Management Services	\$ 2,308,046	\$ 1,678,620	72.7%
Third Party Revenue	\$ (2,866,932)	\$ (1,680,739)	58.6%
TOTAL	\$ 43,969,873	\$ 33,725,017	76.7%



Power Sales

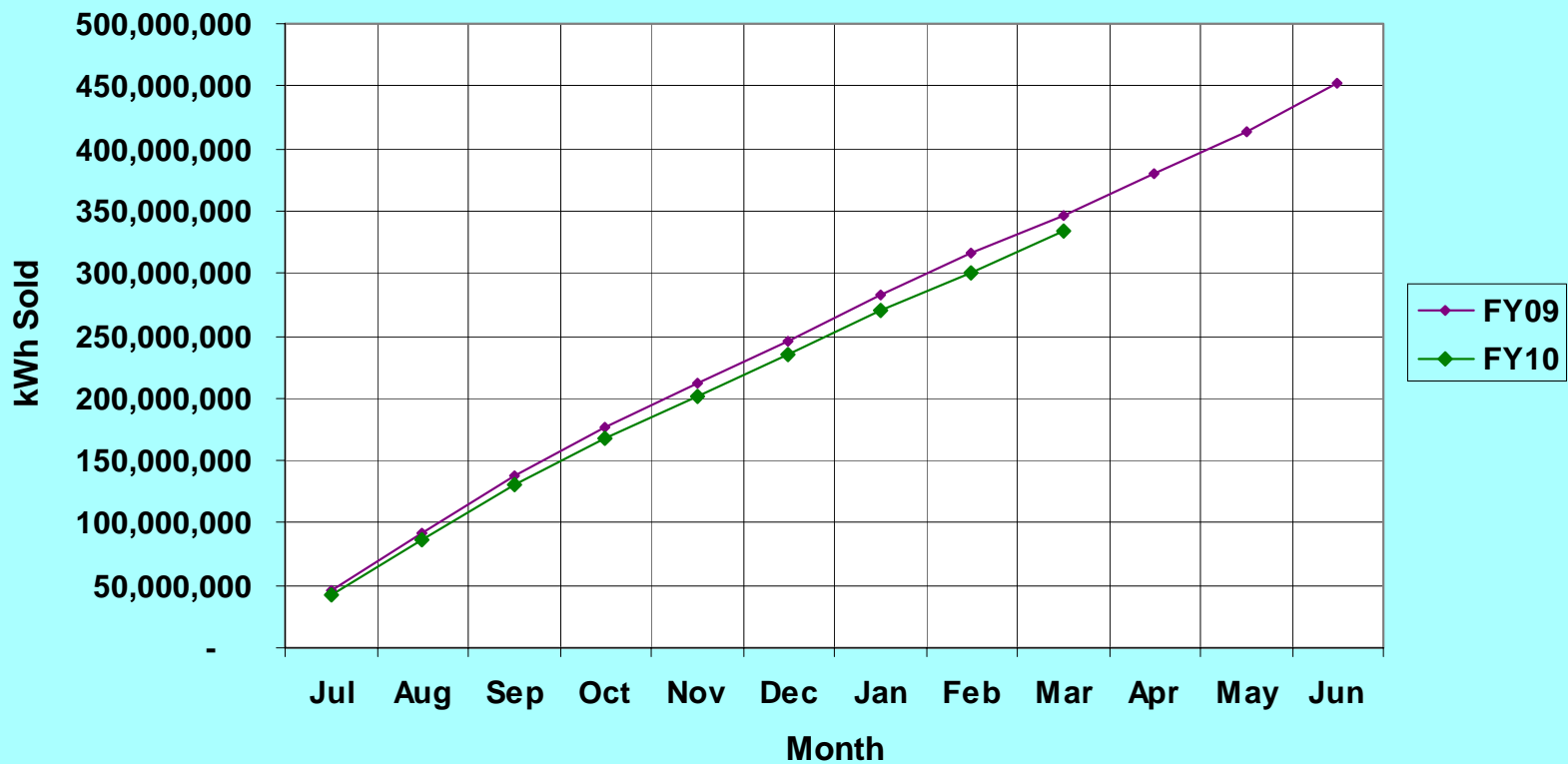
Through Mar 31, 2010

	Budgeted Sales	Year to Date Sales	% Budget
kWh	448,406,895	333,114,182	74.3%
Revenue	\$ 72,570,671	\$54,022,188	74.4%



Sales Comparison

**Cumulative Sales in kWh
FY09 v. FY10 (Apr-Jun FY10 Projected)**





Power Sales

Through Mar 31, 2010

	Year to Date Projections	Year to Date Actuals	% Difference
kWh	337,899,030	333,114,182	-1.4%
Revenue	\$ 55,154,873	\$54,022,188	-2.1%

	Year	HDD	Normal	CDD	Normal
July	2009	0	0	357	390
August	2009	0	0	335	363
September	2009	4	5	309	247
October	2009	111	76	20	73
November	2009	364	348	0	0
December	2009	600	609	0	0
January	2010	533	592	0	0
February	2010	362	391	0	0
March	2010	357	313	0	0
FY10 Total		2331	2334	1021	1073



Billing Statistics

Through Mar 31, 2010

Budgeted			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	152,241,857	\$ 28,362,023	\$ 0.1863
Small Commercial	166,168,843	\$ 28,339,923	\$ 0.1705
Large Commercial/Small Industrial	35,545,525	\$ 5,303,826	\$ 0.1492
Industrial	94,450,670	\$ 10,564,898	\$ 0.1119
TOTAL	448,406,895	\$ 72,570,671	\$ 0.1618
			\$/kWh

Year to Date			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	118,611,544	\$ 22,024,843	\$ 0.1857
Small Commercial	120,755,070	\$ 20,612,066	\$ 0.1707
Large Commercial/Small Industrial	28,026,991	\$ 4,259,730	\$ 0.1520
Industrial	65,720,577	\$ 7,125,549	\$ 0.1084
TOTAL	333,114,182	\$ 54,022,188	\$ 0.1622
			\$/kWh



ECA Revenue

Customer Class	Q1	Q2	Q3	Total
Residential	295,418	480,611	1,109,892	1,885,921
Small Commercial	280,296	543,267	1,086,278	1,909,841
Large Commercial/Small Industrial	64,863	124,632	262,011	451,506
Industrial	147,550	286,102	647,529	1,081,181
Total ECA Revenue	\$ 788,127	\$ 1,434,612	\$ 3,105,710	\$ 5,328,448



NCPA “GOR”

GOR levels

- **\$5,904,783 (June 30, 2009)**
- **\$5,263,921 (Mar 31, 2010)**

- **Interest income of \$23,584**
- **TANC Refund of \$106,448**
- **Transmission back-bill of (\$770,894)**

\$640,862 Decrease

**Upcoming payment for Cal Parties settlement
will reduce GOR approx \$700,000.**



FY10 “Open Position”

	Lodi Total Surplus/(Deficit)	kWh Load	% of Load	Lodi HLH Surplus/(Deficit)	kWh Load	% of Load	Lodi LLH Surplus/(Deficit)	kWh Load	% of Load
July 2009		42,396	0.00%		27,796	0.00%		14,600	0.00%
August		44,283	0.00%		29,003	0.00%		15,280	0.00%
September		44,775	0.00%		28,681	0.00%		16,094	0.00%
October		37,188	0.00%		24,392	0.00%		12,796	0.00%
November		32,525	0.00%		19,969	0.00%		12,556	0.00%
December		34,653	0.00%		21,985	0.00%		12,668	0.00%
January 2010		34,507	0.00%		21,095	0.00%		13,412	0.00%
February		30,852	0.00%		19,943	0.00%		10,909	0.00%
March		31,938	0.00%		21,058	0.00%		10,880	0.00%
April		35,235	0.00%		22,891	0.00%		12,344	0.00%
May	(3,167)	39,687	-7.98%	(3,118)	24,710	-12.62%	(49)	14,977	-0.32%
June	(732)	40,560	-1.80%	(1,258)	27,071	-4.65%	527	13,490	3.90%
FY Total	(3,898)	448,599	-0.9%	(4,377)	288,592	-1.5%	478	160,007	0.3%
Bal Yr Total	(3,898)	80,247	-4.9%	(4,377)	51,780	-8.5%	478	28,467	1.7%



Lodi Energy Center Statistics

Capacity: 280 MW (net)

Expected Heat Rate: 6,824 Btu/kWh

Expected Capacity Factor: 80%

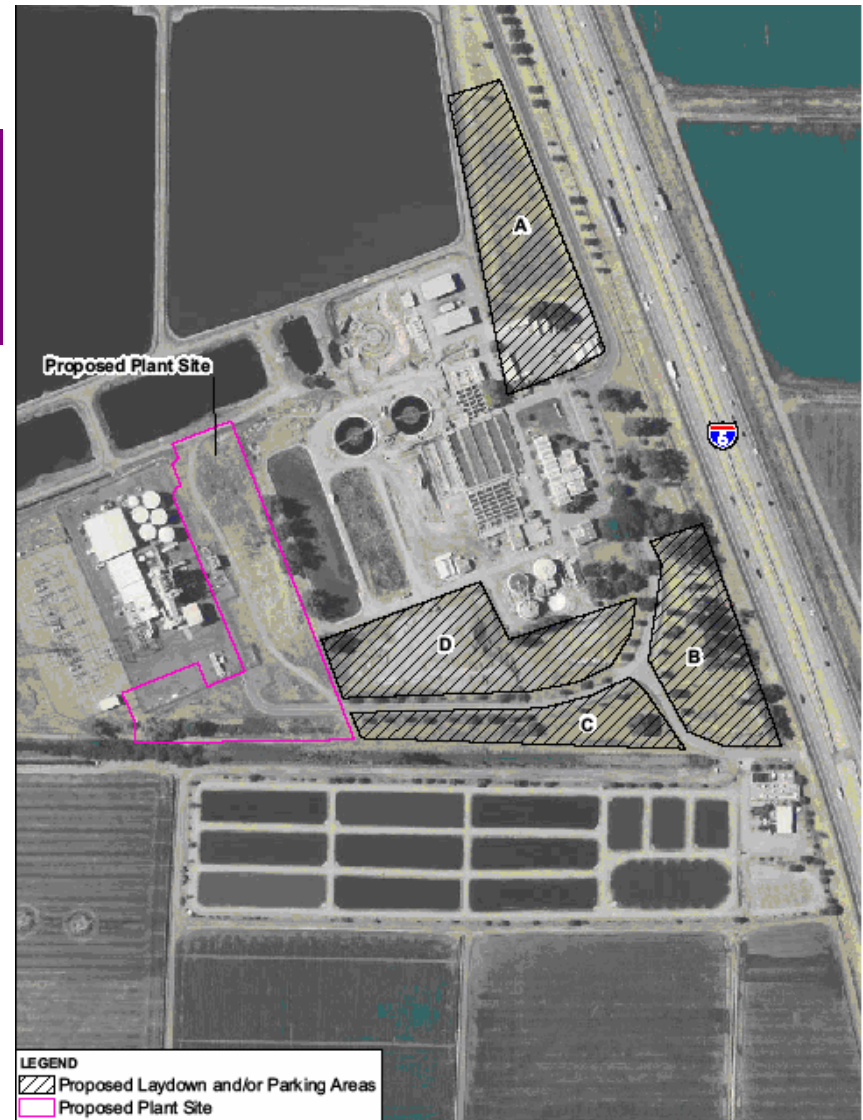
Expected Energy Cost: \$72 per MWh

Reductions in GHG: 28%

Will use White Slough treated sewage effluent for cooling

All air quality and other permits are in place

Received CEC permit on April 21, 2010





Ownership

**Northern California Power Agency
owns, constructs, operates, and
maintains**

14 Participants:

10 NCPA Members, 4 non-members

NCPA financing for 13 Participants

**Each Participant has its percentage
of costs/obligations and
benefits/outputs**



Cost Summary

Costs	Million \$
Development (Ph 1 & 2 & Eng'g)	\$25
Equipment, materials & parts	\$215
Labor & services	\$82
Interconnection & fees	\$26
Contingency	\$27
Subtotal	\$375
Financing & reserves	\$77
Total to be financed	\$452



Cost/kWh Summary

4.78 c/kWh gas (at \$7/millionBtu)

1.55 c/kWh debt service

0.63 c/kWh O&M

0.26 c/kWh scheduling /CAISO/other

**7.22 cents/kWh Total Cost
(with \$7/millionBtu gas)**



Participants	Generation Entitlement	Nominal MW
Azusa	2.7857%	7.80
BART	6.2500%	17.50
Biggs	0.2679%	0.75
CDWR	33.3332%	93.33
Gridley	1.9643%	5.50
Healdsburg	1.5714%	4.40
Lodi	9.3561%	26.20
Lompoc	2.0000%	5.60
Modesto ID	10.7143%	30.00
Plumas-Sierra	0.7857%	2.20
Port of Oakland	1.1607%	3.25
PWRPA	2.6679%	7.47
Silicon Valley Power	25.3571%	71.00
Ukiah	1.7857%	5.00
Total	100.0000%	280.00



Approval Schedule

CEC License	April 21, 2010
NCPA Commission Approval of CEQA, PSA & PMOA	April 22, 2010
Participant Approvals	April 21-May 5, 2010
File NOD at County	By May 6, 2010
Signed Copies of PSA to NCPA	May 15, 2010
“Power Island” Notice to Proceed	June 15, 2010
Financing Complete	June 22, 2010
Start Construction	July 1, 2010
Commercial Operation	June 1, 2012



Actions for May 5 Council meeting

- **Adopt CEQA findings**
- **Approve PSA and PMOA**
- **Approve Lease and Water Supply Agreements**



CEQA Compliance

**Resolution finding no significant impact of LEC.
CEC found:**

Air Quality

- GHG will be reduced as a result of the plant
- Other emissions mitigated by purchasing reduction credits

Biological Resources

- Conservation easement of 21.2 acres needed to mitigate potential impact to Giant Garter Snake and other animals

Social Economics

- Local benefit from project



Power Sales Agreement

Key points

- City promises to purchase its share of power
- Project Participant Committee governs
 - Voting rights by generation entitlement shares
- Participants may hedge, purchase physical gas
- Step-up provisions in case member defaults



Project Management & Operation Agreement

- Tied closely to Power Sales Agreement
- Similar to NCPA's "Facilities Agreement" for operation of other NCPA plants
- Dictates approach to operating LEC, such as fuel procurement, maintenance, power dispatching



September MOU

Finalizes agreements with NCPA

- Ground lease
- Agreement to supply recycled water

Coming soon

- Sale of conservation easement for snake habitat (\$504,000)



Conclusion

Through March 31, 2010

- Net power costs are 76.7% budget
- Non-power costs are 60.2% of budget, but will accelerate in Q4
- Revenues are 74.4% of budget
- NCPA cash reserve (GOR) down ~\$641K
- FY10 power supply is 95% hedged, balance of year